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A common payroll for United Nations system organizations

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "A common payroll for United Nations system organizations" (JIU/REP/2005/4).

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A COMMON PAYROLL FOR UNITED NATIONS SYSTEM ORGANIZATIONS

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ACRONYMS

CEB	United Nations System Chief Executives Board for Coordination (formerly ACC)
FAO	Food and Agriculture Organization
HLCM	High-level Committee on Management (of CEB)
HLCP	High-level Committee on Programmes (of CEB)
ICAO	International Civil Aviation Organization
ICC	International Computing Centre
ICSC	International Civil Service Commission
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization
WTO	World Tourism Organization

GLOSSARY

Enterprise resource planning

Enterprise resource planning (ERP) systems are software packages composed of several modules, such as human resources, sales, finance and production, providing cross-organization integration of data through embedded business processes. These software packages can be customized to cater to the specific needs of an organization. During the 1990s, ERP systems became the de facto standard for replacement of legacy systems in large, and particularly in multinational, companies.[1]

In-sourcing

In this report, the term "in-sourcing" has been used to differentiate between external (to the United Nations system) outsourcing and internal outsourcing. In this report, in-sourcing is used to refer to the provision of services by organizations belonging to and within the United Nations system.

Offshoring

Offshoring means relocating non-core activities to low-cost areas while maintaining the activity within the organization. Back-office and support functions, such as payroll processing, helpdesks, staff records data entry, etc., are performed by the organization's own staff but in areas where operating costs are significantly lower than the average for the organization.

Outsourcing

Outsourcing means to seek resources outside an organizational structure, usually to save money and/or exploit the skills of another entity. Typically used in the business world, outsourcing often entails an enterprise using another company, such as a consultancy or application service provider, to provide a service that the enterprise can provide for itself, when it is cheaper to utilize a third-party's resources. For example, an enterprise might outsource its information technology (IT) management because it is cheaper to contract a third-party to do so than it would be to build its own in-house IT management team. In this report the term "outsourcing" is used to refer to services provided by entities external to the United Nations system.[2]

Payroll, payroll system and payroll processing system

Payroll is a list of employees receiving regular pay.[3] Although no formal definition could be found for "payroll system" the association of both terms (payroll and system) suggests a method or procedure by which the employees of an organization are paid. It includes a defined set of interdependent items and rules that stipulate the pay conditions of a given organization, such as salary structure, tax schedules, benefits and allowances, frequency and pay dates, etc. A payroll processing system can be defined as a computer system used by an organization to process and pay the wages of employees. It is to be noted that the terms "payroll system" and "payroll processing system" are often used indistinctly to refer to a computer system which processes payroll.

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[1] "A model of ERP project implementation", Parr A., and Shanks G., Journal of Information Technology, 2000.
[2] See www.webopedia.com.
[3] The Concise Oxford Dictionary, tenth edition.

Executive summary

Objective: This report addresses significant financial savings that would accrue to United Nations organizations and to Member States should they agree on establishing a common payroll. The investments made by these organizations in management information systems (MIS) alone exceeded US$ 1 billion over the past ten years.[4] A different common approach coordinating investment efforts in a system-wide manner would have represented considerable savings and additional benefits. This report examines payroll service delivery in different organizations in order to detect major obstacles and to develop recommendations for future improvement of payroll systems and processes. The analysis and recommendations are intended to provide a starting point for a future cost effective solution for payroll delivery across United Nations organizations.

Conclusions and recommendations

A. Most of the organizations, funds and programmes have developed their own MIS in recent years. The Integrated Management Information System (IMIS) cost over US$ 80 million, ILO's Integrated Resource Information System (IRIS) system cost some US$ 40 million and WHO has signed a contract with Oracle Corporation at a cost of US$ 55 million and on and on it goes with Member States footing huge bills for the same services. As part of these solutions, organizations have developed their own payroll solutions, which have evolved independently over the years. The United Nations system operates today about 17 different payroll-processing systems. The current payroll service delivery environment is the product of an uncoordinated approach, heavily influenced by organization-unique interpretation of common rules and regulations. The different interpretations of common rules and regulations have contributed to complex sets of requirements that, when taken together, unduly complicate payroll administration and modernization. However, a coordinated approach to future development, the harmonization and standardization of rules and regulations, i.e., their common interpretation, and the commitment of senior management can overcome these barriers. The Inspectors would like to stress the need for upfront inter-agency leadership commitment and support. This should be done through a specific governance mechanism yet to be established; without a doubt, it is the most important success factor to push the implementation of any common system solution through the barriers created by bureaucracy.

B. The approach to be taken should be carefully planned on an inter-organizational basis, given the important investments already made in MIS. The Inspectors believe that the first step towards a common payroll system would be the reduction in the number of current payroll systems. "Leader" organizations should be established for each of the current vendor groups as well as for other existing systems, such as IMIS. These leader organizations and/or common service entities, such as the International Computing Centre (ICC), could offer payroll services to those organizations interested in their specific solutions.

C. A preliminary analysis of the savings to be expected for a common payroll system shows savings in the range of US$ 100 million over a period of 10 years and this is just "the tip of the iceberg" given the additional significant benefits to be expected, which are difficult to quantify at this stage. Investment in payroll systems could provide significant returns in cost avoidance and in better system management. Major benefits include:

- elimination of redundant systems and processes (simplification and consolidation);
- internal efficiencies and effectiveness;
- cost reductions;
- enabling agencies to focus on their core mission;
- enhancing standardization, an opportunity to streamline payroll policies and procedures.

D. The Inspectors believe that a common payroll system is not only technically feasible but also financially desirable, though it is not a simple task. To make it happen, the leadership commitment and the support of senior system-wide management are crucial success factors. The issue of inter-agency leadership support and

[4] See JIU/REP/2002/9.

commitment has been strongly emphasized in the comments received from all organizations; without it, there are no possibilities of succeeding in the implementation of any common solution. While this initiative should have been considered 10 years ago, it is not too late to move forward now.

Recommendation 1

The General Assembly should:

(a) Endorse the development of a common payroll system as the first step towards a common ERP for the United Nations system as a whole; and

(b) Request the Secretary-General, in his capacity as Chairman of the United Nations System Chief Executives Board for Coordination (CEB): to seek the highest-level commitment from the United Nations system organizations, by setting up a governance structure, which should speed up, coordinate and oversee the development and implementation of a common payroll system through the implementation of a phased approach and within the context of a common ERP system; and to report back to the General Assembly on the implementation status of this recommendation at its sixty-second session.

(*For details, see* ***paras. 12-16 for (a) and (b), and paras. 30 and 31 for (b).***)

Recommendation 2

The Secretary-General, in his capacity as Chairman of CEB, should invite CEB to:

(a) Establish "leader" organizations or common service entities, which can provide payroll services, on a fee or other financial basis, to those agencies that have old and antiquated systems;

(b) Harmonize, simplify and standardize the application across the United Nations system of the common staff rules and regulations relating to payroll and allowances; and,

(c) Report back to the General Assembly on the implementation status of this recommendation at its sixty-second session.

(*For details, see* ***para. 16 for (a) and paras. 35-37 for (b).***)

INTRODUCTION

1. The payroll function is not a mission-critical activity for the United Nations system, although the sensitivity of timely and accurate payroll results makes it a high-visibility function. Payroll processing lends itself to opportunities for public-private partnerships and outsourcing options that would provide better value for the United Nations system and allow resources to be better focused on mission delivery. The outsourcing of payroll processing could be either internal - within the United Nations system - where some organizations would act as service providers for others, or external in which some private or public service providers would deliver payroll processing services.

2. In the last decade a considerable number of private-sector organizations as well as some public-sector ones have looked into different ways to optimize scarce resources by concentrating on their core missions and outsourcing or "offshoring" those non-critical activities, in particular administrative ones such as payroll processing, data entry, etc. The offshoring alternative was recognized in a wide sense in a background paper prepared by the ICT (information and communications technologies) Networking Group of the High-level Committee on Management (HLCM).[5] The advantages identified were: reduced service costs, organizations could concentrate on core activities and the United Nations would be setting an example and providing support to the economies of developing countries and countries in transition. This offshoring initiative might also serve as a pilot study and useful benchmark for further similar arrangements for a wide range of administrative activities.

3. Regarding the possibility of external outsourcing, it should be noted that many United Nations organizations operate non-standard systems that have been developed internally. Current application external service providers rarely take over non standard, non commercial systems, and, therefore, at this stage it would not be a cost-effective solution. Several organizations have looked into this possibility and concluded that it is not a viable alternative. The Inspectors share this view.

4. The most critical factor for the success of a common payroll system is the leadership commitment and the support from senior management. The role of CEB and its HLCM, are crucial elements for the success of this initiative. The ICT Network of CEB has already developed a United Nations system ICT strategic framework that has been endorsed by High-level Committee on Programmes (HLCP), HLCM and CEB during its eighth session on 5 and 6 October 2004 (CEB/2004/6). HLCM, in its April 2005 meeting, requested the establishment of a Working Group comprising members of HLCM, HLCP and the ICT network to take forward the United Nations ICT strategy initiatives. Business cases are being developed for, inter alia, payroll by the ICC. The General Assembly is expected to take up the ICT strategy at its sixtieth session. This report shares the main areas of concern of ICT strategy, in particular, the need to implement common software applications, such as payroll, in the context of a desirable common enterprise resource planning (ERP) system for the whole United Nations system.

5. In the approach to a future ERP common to the whole United Nations system, payroll application could be used as the first pilot project of a common application. The reasons for this are: (a) it is not a mission-critical activity; (b) estimated savings are considerable; (c) work has already begun in this respect in the context of the ICT strategy development; and (d) there are some agencies already interested in finding a solution to this particular issue.

6. The Inspectors would like to thank the officials from the different United Nations organizations who took the time to provide data through interviews and questionnaires, as well as the different United States federal agencies that shared their experience in consolidating payroll operations within the United States Government. The Inspectors want also to express their gratitude to the International Computing Centre (ICC), software vendors, and others who provided valuable views for the preparation of this report.

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[5] United Nations System ICT Strategy, background document to the report of the ICT Network Working Group, September 2004.

I. TECHNICAL FEASIBILITY

7. The table below (see annex) shows the different types of payroll systems in use within various organizations, funds and programmes. There is considerable disparity among the solutions and vendors chosen by the organizations, ranging from in-house developments to commercial products customized to meet the specific needs of a given organization. All of them are at different stages of information systems development.

8. Although this study is focused on payroll processing systems, payroll should not be seen as an isolated software application, as it heavily interfaces with human resources management systems (HRMS) and financial information systems. Many of the projects to introduce MIS have been based on the introduction of ERP systems, thus the introduction of a common payroll system should be carefully planned in the wider context of an ERP.

9. In some cases, the payroll application is part, or a module, of a wider scope system, such as an ERP, which might have been supplied by just one vendor. In other cases, it is part of an HRMS, which interfaces with financial systems supplied by different vendors, resulting in the development of customized interfaces between the different systems. In the most complex cases, the payroll application is software developed internally by a given organization, which interfaces with financial and human resources systems and databases that are non-standard, in-house developments.

10. The major ERP vendors in the marketplace are Oracle, PeopleSoft[6] and SAP, and all of them are present within the United Nations family. Additionally, use is made of a custom solution, IMIS, developed by the Secretariat.

11. The Inspectors held meetings with representatives of major ERP system vendors to ascertain the technical feasibility of a common payroll for the United Nations system. All of them concluded, with firm conviction that current technology allows for a common payroll system, that: (a) different systems can "talk" to each other, either through the use in some cases of standard interfaces or through the development of new ones; and (b) the payroll applications proposed by each of these major vendors can run on top of different operating systems, including different versions of Unix (i.e. Linux, Solaris, etc), which are the base of open-source software solutions. In addition, senior management and IT experts within the system confirmed this can be done overturning middle management's mantra that it cannot be done and "we are different".

[6] PeopleSoft has been taken over by Oracle Corporation.

II. TIME FRAME

12. The time frame for implementation of a common payroll system is heavily influenced by the fact that each organization is in a different phase of information systems development. Some of the organizations have just launched new payroll systems or plan to go live during 2005 (United Nations Children's Fund (UNICEF), International Labour Organization (ILO) and Universal Postal Union (UPU)), others have just finished their vendor selection process (World Health Organization (WHO), Office of the United Nations High Commissioner for Refugees (UNHCR)), while others are in an operational phase after years of development (the United Nations Secretariat launched its IMIS Release IV, which is mainly payroll, in 2000). In addition other organizations are operating old payroll systems, considered obsolete, and are planning to renew their systems in the short term (International Civil Aviation Organization (ICAO), United Nations Industrial Development Organization (UNIDO), and World Meteorological Organization (WMO)). The non-coordinated evolution and the current status of implementation within the different organizations calls for a carefully planned, phased approach.

13. The investments already made are considerable and should be taken into consideration, maximizing their return-on-investment, when planning the time frame of a future convergence. The United Nations system's investment in ICT is growing at a faster rate than the operating budgets of most United Nations organizations, or than worldwide inflation.[7] Investments in MIS alone exceeded US$ 1 billion over the past 10 years.[8] The average life cycle of a MIS is in the range of 10 years.

14. The Inspectors believe that planning should start now on an inter-organizational basis if a common payroll system is to succeed in the mid- to long-term. In addition, the fast evolution of IT may facilitate the consolidation of information systems as a whole. Next-generation systems might represent an opportunity for a single system-wide information system, i.e., a single ERP.

15. Needless to say, the approach indicated above towards the implementation of a common payroll system can be applied, in the context of wider-scope ERP systems, to other software applications (staff records data entry, e-recruitment, finance applications, etc.), given the fact that there is a significant commonality of business processes among the United Nations system organizations. A major opportunity exists to leverage the investments already made, and to minimize those that will continue to be made.

16. The Inspectors' conclusion is that this project could be a reality in the medium to long term (5 to 10 years) if the decision is taken now. A phased approach would include the following stages:

- **Phase 1**: Consolidation of current payroll systems into several groups of leading organizations or common service entities, acting as payroll service providers (internal to the United Nations system). This phase can be accomplished in the short term (1 to 4 years). It is proposed to create leader organizations for each of the different major payroll systems already available within the United Nations, such as Oracle, PeopleSoft, SAP and IMIS;
- **Phase 2**: Consolidation into a common payroll system, at the end of which only one or two organizations would provide payroll services for the whole United Nations system. The decision to use one or two service providers should be taken after a preliminary risk analysis. The Inspectors are of the view that two service providers should be used in order to reduce risks. This phase could be a reality in the medium term (4-7 years);
- **Phase 3**: Common ERP for the United Nations system. Taking into consideration the technical complexity of the issue and the need to fully amortize current investments, the Inspectors believe that this could only be achieved in the long term (7 to 10 years) if the decision is taken now.

(*See **Recommendations 1 (a) and 1 (b)** above.*)

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[7] United Nations System ICT Strategy, background document to the report of the ICT Network Working Group, September 2004.
[8] See JIU/REP/2002/9.

III. SAVINGS AND BENEFITS

17. It is difficult to quantify additional, and not negligible, system-wide savings emanating from avoidance of future investments in acquisition and/or maintenance of new systems by those organizations that might decide to in-source their payroll processing to one of the "leading organizations". As well, there are benefits arising from the standardization of systems that are of a more qualitative nature and thus difficult to quantify.

A. Savings

18. The Inspectors prepared a savings analysis, which is based on the cost per payslip currently borne by the different United Nations system organizations, compared with benchmark organizations.[9] The collection of data necessary to estimate savings has been difficult as some organizations did not know the cost of their payroll systems. In some cases the systems are so old that it is difficult to estimate what the initial acquisition or development costs were, related to payroll processing. In other cases the data provided by the different organizations was inconsistent or not complete. The costs taken into consideration were: payroll-related hardware and software acquisition and development costs (in order to come up with a "cost per payslip per year", acquisition and development costs have been distributed over a 10-year period), annual hardware and annual software maintenance and/or annual license fees. Other costs, which might represent additional marginal savings, such as office space and electricity, have not been taken into consideration given the preliminary nature of this report.

19. Our estimate of savings emanating from a common approach to payroll delivery is in the range of US$ 100 million over 10 years. This is not a negligible amount. The analysis of data provided by organizations leads us to estimate that the average payroll cost per employee per year currently borne by the United Nations system organizations is in the range of US$ 200 – 250. The assumption that the efficiencies obtained by having fewer systems would place the cost for the United Nations closer to that borne by benchmark organizations - in the range of US$ 100 per employee per year - implies that average savings of US$ 125 per employee per year could be achieved. This amount, applied to the total United Nations system staff (about 80,000 including all types of contracts) over a period of 10 years, leads to our initial broad estimate of the savings that can be achieved. There are considerable additional hidden savings and benefits that make the Inspectors believe that the amount of savings estimated is just the "tip of the iceberg".

20. Organizations planning to purchase a new payroll system have now a choice, either to buy a new one or to in-source payroll delivery using one of the United Nations organizations as a payroll service provider; in both cases there is an upfront investment. It is obvious that if a given organization opts for in-sourcing, there will be an initial cost associated for the adaptation of the chosen payroll service provider system to the needs of the client organization. This cost is difficult to quantify at this stage. Implementation costs are very difficult to estimate, as they represent the cost to adapt standard products to the specific client's environment and needs. Thus, an individual preliminary study would be required for each case in order to provide realistic figures. In addition to the initial investment required to customize the service provider's payroll system to meet the client organization's needs, there are other operating costs associated to the provision of the service. These should be included under a contractual agreement between the organizations, indicating the agreed level of service and the financial commitments for both parties (fees, cost recovery mechanisms or other financial arrangements).

21. The ERP vendors interviewed indicated that the upfront investment to be made by a small organization (200-300 employees) purchasing a new system might be in the range of US$ 1 million. The

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[9] According to Atlanta-based benchmarking services provider The Hackett Group, best-practice companies in the Fortune 1000 spend $85 per employee per year on payroll, others spend as much as $715. The U.S. Government's target is to reduce these costs from the current average of $120 per employee per year down to $97.

Inspectors believe that, for a small organization, the acquisition cost of a payroll system may be higher than the cost associated to the adaptation of one of the existing systems. Nevertheless, savings should not be seen from an individual organization point of view but from a system-wide perspective. As an example, the case of an organization purchasing a new system can be considered. The price of a new system might be similar in the worst scenario to the cost of adaptation of an existing system but there are additional savings to be considered from a system-wide perspective, such as those emanating from the avoidance of duplicated maintenance and software upgrades. These costs could be shared by the payroll service provider and the client organization if just one system is used, while if there are two different systems both organizations would bear separate maintenance and software upgrading costs.

B. Qualitative and non-quantifiable benefits

22. The benefits of consolidating payroll processing, initially around three or four major leading organizations or common service entities that might act as service providers for the others, are multiple:

- The use of market standards would facilitate and reduce the cost of future global system integration. Once the final consolidation of systems is achieved, the outsourcing alternative could then be considered, although the Inspectors believe that a detailed risk analysis of this alternative should be undertaken in advance;
- Current investments would be optimized and the cost of redundant systems would be avoided;
- New upfront investments would be avoided for those organizations not having made a decision;
- Leading organizations or common service entities, acting as service providers, could generate additional resources and share costs (e.g. maintenance, support and upgrade costs);
- With reduced costs and increased efficiency overall, as an example, systems software upgrades would be done in fewer locations.

23. The United States Government has implemented a similar project, although much bigger in size. The scope of the project is focused on the approximately 1.8 million executive-branch employees. In the recent past, there were some 26 different federal agencies running their own payroll systems. The nature and size of the different agencies is quite diverse (the smallest having only three staff and the biggest having about 225,000 employees). There were no common guidelines and most of the payroll systems were in-house developments and not interconnected. The number of payroll systems and providers has now officially been reduced to four. Some agencies have not yet finished the migration of payroll operations and still run their own system. Ultimately, the total number of employees to be paid through the use of the four systems is 1.8 million and the number of different pay plans is about 190. The American officials interviewed indicated that the implementation of a common payroll system for the United Nations system might be easier than theirs, given the fact that the total number of employees is considerably lower (about 80,000) and that there is only one common salary scale for professionals and fewer pay plans across the system.

24. Upon completion of migrations, only the four agencies currently operating payroll systems in the United States government will be payroll service providers for the client agencies and a mandatory contract between the service provider and the client agency defines the agreed level of service. Employees are paid biweekly and agencies pay on average US$ 120 per employee per year to the payroll service provider. The goal is to further reduce it (target: US$ 97). The expected savings on an aggregate basis are US$ 1.2 billion over 10 years, although it was admitted that the cost-analysis part was not an easy one. It took one year to obtain data via a benchmarking study from the agencies. Not all the agencies contacted responded to the study.

IV. STRATEGY AND GOVERNANCE

25. In March 2003 the General Assembly requested the Secretary-General, as Chairman of CEB, to develop a comprehensive ICT strategy for the United Nations system.[10] This was in recognition of the fact that a system-wide strategic vision for ICT had never been formulated.

26. The ICT Network (ICT directors of the entities of the United Nations system), in close collaboration with the ICT Task Force, developed a proposal on a system-wide ICT strategy. The two high-level committees of CEB, HLCP and HLCM, "reviewed the United Nations ICT strategy document at their sessions in the fall of 2004. HLCP welcomed the main thrust of the strategy. HLCM, to which the ICT Network reports, endorsed the strategy in general, and agreed that future work should focus on measures to address the governance and organizational constraints on the development of the business cases and on proposals for a prioritized and coordinated implementation plan. The Committee also requested that the business case for the strategy be further developed, including resource implications, to enable HLCM to decide on the next steps for implementing a United Nations system-wide ICT strategy".[11] In April 2005, the HLCM endorsed eight priority areas for business case development of which common application solution was one.

27. A Strategy Charter has been developed. This Charter provides a framework for a systematic approach to the management of technological and organizational change, and a coordinated approach to planning, implementation and maintenance of technology-based initiatives, recognizing the role of ICT, inter alia, in: (a) maximizing the return on investments in ERPs by developing best-practice procedures for common United Nations processes, and seeking streamlining and efficiency savings across common administrative processes; and (b) promoting opportunities for sharing computer applications across agencies in areas where United Nations requirements are common, or close to common.

28. The Inspectors believe that the strategy developed is a sound starting point. In addition, they share, inter alia, the two major areas of concern for the implementation of a common payroll system, in particular, maximizing the return on investment in ERPs and promoting opportunities for sharing computer applications across agencies. The existence of a strategy is already a very positive step forward but it is just the beginning. The interviews held during the preparation of this report confirmed that the actual level of coordination and information shared by the United Nations system organizations is still low, with significant room for improvement. The Inspectors believe that now is the time for action. Developing the way ahead and assigning responsibilities in view of the savings and benefits calls for "an unprecedented degree of cooperation amongst Agencies on ICT matters".[12]

29. In the context of the ICT Network, it is important to note that, further to a decision of its governing body (Management Committee), the International Computing Centre is pursuing the following five ICT initiatives: common payroll system; global messaging system; United Nations ICT training; ICT services sourcing strategy; and information security, disaster recovery and business continuity. ICC has initiated feasibility studies for each of the above initiatives, which, as shared services, have a very high potential for savings through economies of scale and skills. ICC is actively working on these initiatives with its own resources but also with the help of consultants and the active participation of a number of United Nations organizations. Starting in September 2005, ICC will initiate pilots with interested parties and will report its findings at its next Management Committee meeting, scheduled for October 2005.

30. The leadership support is crucial, as well as the required governance structure, given the fact that the different entities of the United Nations system represented at CEB operate rather independently and report to different legislative bodies, which in turn establish and approve their programmes of work and allocate their

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[10] See General Assembly resolution 57/295 of 20 December 2002.
[11] A/59/563, para. 13.
[12] Report of the ICT Network Working Group, September 2004.

funding. "In reality, the United Nations system operates as a loose conglomerate of federated entities with varying levels of coordination but without a direct line of command to its Chief Executive".[13]

31. The Inspectors believe that a governance structure should be established, under the auspices of the CEB, including senior representatives from the organizations, funds and programmes in the areas of human resources management (HRM), finance and IT, as well as from the International Civil Service Commission (ICSC), taking into consideration the current HRM reforms. The responsibility of this governance structure would be to speed up, coordinate and oversee the development and implementation of the common payroll system through a phased approach and within the context of a common ERP system.

*(See **Recommendation 1 (b)**)*

32. The consolidation of multiple current payroll systems, as a first step, into fewer systems based on the current major vendors present within the United Nations system (Oracle, PeopleSoft and SAP) and IMIS or other potential providers, such as a common services entity (ICC, etc.), is an important leap into possible final system integration. The benefits of such an approach have already been indicated. Some organizations have expressed their concerns about confidentiality issues regarding the provision of payroll-processing services by another United Nations system organization. This should not be a problem; to outsource payroll services is a common practice in the private sector, more sensitive to confidentiality issues than the United Nations system where salary scales are public. Additionally, vendors interviewed indicated that confidentiality could be maintained through the application of current technology. Finally, specific requirements in this respect should be dealt with in the context of the technical working groups to be established and regulated through a mandatory contract or memorandum of understanding between the client organization and the selected payroll service provider.

*(See **Recommendation 2 (a)**)*

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[13] Ibid.

V. STRENGTHENING UNITED NATIONS SYSTEM COOPERATION

33. The Inspectors believe that to facilitate the implementation of a common payroll system, in fact to facilitate the use of system-wide common software applications of any type, it is necessary to create a set of data element standards to be shared by payroll and human resources (HR) systems on a system-wide basis. This data set should include, inter alia, a staff member profile common to all United Nations organizations. This implies the creation of a central, common system-wide database or the use of decentralized but interconnected standard databases. This element would have a significant impact in facilitating the use of common applications in all areas, (i.e., a system-wide database would be a significant tool to improve system security at all levels, it would also facilitate numerous administrative processes, such as staff rotation among organizations, United Nations laissez-passer issuances, cancellations, etc.).

34. Adopting a single set of data element standards could help in fully integrating HR and payroll processes across the United Nations system and would facilitate and simplify data interchange and the development of system-wide applications. It would significantly reduce the need for rework associated with the interconnection of different systems that require data conversion into a common format. The Inspectors believe that HLCM, as part of its mandate, and supported by the ICT Task Force, should develop common data element standards to be used by both payroll and HR systems system-wide.

35. The current organizations' different interpretation of common rules and regulations contributes to a lack of standardization that plays against any initiative aimed at improving the effectiveness and the efficiency of the system as a whole. As examples, representation allowances are paid at different intervals in different organizations and some organizations have established their own internal criteria in respect of grades or in the seniority requirements to be eligible for certain step increases (i.e., WHO has a P-6 grade equivalent to D-1). These issues can be easily overcome by current technology, but the lack of standardization has a direct impact on the costs associated with the required customizations.

36. One of the most important lessons learned by organizations that have implemented new information systems is that customizing information systems is expensive and time-consuming. Thus, a streamlining effort in respect of current working procedures and processes is a must. The Inspectors share this view and encourage such an initiative. It should be undertaken in parallel with the necessary harmonization of the interpretation of common rules and regulations as a step in the implementation of any information systems common solution. The current human resources reform might be a good opportunity for organizations to make an effort in this respect.

37. The harmonization of the interpretation of common rules and regulations should begin now for obvious reasons. Although it would be preferable to proceed with the harmonization as a first step, the harmonization effort should not prevent the consolidation of payroll systems from taking place simultaneously. The actual consolidation of payroll systems is not dependent on the full harmonization of the interpretation of common rules and regulations.

*(See **Recommendation 2 (b)**)*

Annex

Payroll systems used by various UN system organizations

Organizations	Payroll systems used					Remarks
	Developed in-house	Oracle	PeopleSoft	SAP	Other	
UN[14]	IMIS					
Funds and Programmes						
UNDP	IMIS		√			
UNFPA	IMIS		√			Handled by UNDP
UNHCR			√			
UNICEF				√		
WFP				√		
Specialized agencies and IAEA						
ILO		√				
FAO		√				
UNESCO	√					
ICAO	√					
WHO	√	√[15]				
UPU	√				Serin	
ITU					IBM	
WMO	√					
IMO				√		
WIPO					√	
UNIDO	√					
WTO (tourism)	√	√				
IAEA	PerMIS					

[14] It should be noted that the United Nations Secretariat also provides payroll services for the United Nations Office for Project Services (UNOPS) international and HQ general service staff who are included in the UNDP database, and handled by the Secretariat the same way as UNFPA staff; while the ITC joined the IMIS Payroll (administered by the United Nations Office at Geneva) in 2002, the Preparatory Committee for the Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO) implemented and started administering a new IMIS site, including payroll services, in 2004.

[15] Oracle has been selected as vendor. The system is not yet functional.